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The commitment to provide the Canada Learning Bond to low-income eligible families announced in the federal budget is important for three reasons. First, it is the first time that a Canadian government has acknowledged both that poverty is an issue of assets as well as income and that savings and assets are as important for low-income Canadians as they are for middle and upper income Canadians. Second, it will provide a much needed cash incentive to encourage children from low-income families to pursue post-secondary education. Third, it will propel Canada into the forefront of a growing number of countries that are developing similar asset-building policies.

The Learning Bond contains many positive features for low-income earners. First, by providing a \$500 endowment to a Registered Education Savings Plan (RESP) for a child at birth, with annual \$100 top-ups, the investment can take advantage of years of compound interest to generate far greater returns relative to the initial expenditure. Second, paired with a more substantial and progressive annual grant than the CESG, the bond will leverage additional deposits from family and friends. The new program will offer families with incomes of less than \$35,000 a 40% matching grant on the first \$500 they save and a 30% matching grant for families with incomes between \$35,000-\$75,000. Third, the act of saving itself can have powerful psychological and behavioral effects. Children who receive the learning bond will have a greater incentive to stay in school and to strive for and plan toward higher education. Finally, the Government's recognition of the need to enhance "awareness and use of" existing RESPs creates a concrete opportunity to develop a national financial capability strategy so that all Canadians, regardless of their ability to pay for the services of a financial planner, have the knowledge and the tools they need to make informed choices about their savings plans and overall financial well-being. The success of the bond will not only depend on the attractiveness of the financial incentives but also on the Government's commitment to work with trusted community intermediaries who can provide the information and supports low-income families will need to participate in this initiative.

The Canada Learning Bond is an asset-building strategy. Asset-building is a concept that has been informing Canadian social-policy debate for several years. Through savings incentives and supports such as financial literacy, low-income earners are encouraged to save for their future goals. The results to date are illustrating that, with the right incentives, low-income Canadians can and do save.

In the United Kingdom, the Blair government's 2003 budget announced an ambitious new Child Trust Fund, a universal endowment paid to all British newborns available for use only after age 18. The Trust includes an initial payment at birth, top-ups throughout childhood and adolescence and increased benefit rates for children of lower income families. With modest regular contributions from families, the government expects that an individual Trust Fund could grow to as much as £27,000 by age 18. The initiative is part of a broad government plan to promote savings and

asset development over the life span to ensure personal economic security, opportunity and long-term independence.

In the United States, federal and state legislation currently support hundreds of community asset-based projects designed to increase the savings of low-income Americans through Individual Development Accounts (IDAs) – restricted savings accounts with matching grants for deposits. Research from the largest of these projects, the *Downpayments on the American Dream Demonstration* (ADD), has found that when provided the right institutional and program supports, low-income accountholders can and do save for productive asset-oriented uses such as children's education, micro enterprise development and homeownership. Based on the most current data, ADD participants saved an average of US\$25.42 per month, or US\$900 per year. Among the lowest-income participants, the savings rate, or the percentage of income saved, is actually slightly higher than among participants with incomes closer to the US poverty line.

SEDI introduced the asset-building concept to Canada and is managing the implementation and delivery of the world's largest demonstration of IDAs for learning. *learn\$ave* offers low-income Canadians an IDA to save for a learning opportunity through education, skills training or micro enterprise development. Nearly 5,000 low-income Canadians have enrolled in the project. Among participants with a *learn\$ave* account, average monthly deposits are an impressive \$52, totaling approximately \$2.5 million in personal savings so far and leveraging a further \$7 million in matching grants.

The Canada Learning Bond is an innovative idea whose time has come. We applaud the federal government's commitment to ensuring that all Canadian families will have the opportunity to save and invest in their children's future.

Peter Nares is founder and Executive Director of SEDI (Social and Enterprise Development Innovations), a national charitable organization dedicated to enabling poor, unemployed and under-employed people to become self-sufficient. For the past seven years, SEDI has also been the lead Canadian organization in the international asset-building field.

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